Indian Residential School Resolution Canada

2006 – 2007

Departmental Performance Report

The Honourable Chuck Strahl
Minister of Indian Affairs and Northern Development
and Federal Interlocutor for Métis and Non-Status Indians

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SECTION I: OVERVIEW

Minister's Message

I am pleased to present the *2006–2007 Departmental Performance Report for Indian Residential Schools Resolution Canada.*

It is a great privilege for me to assume the responsibility for Indian Residential Schools Resolution Canada, the department dedicated to resolving the legacy of the Indian Residential Schools system. Resolution is key to strengthening the Government's relationship with Aboriginal peoples in Canada.

Since taking office, this Government has taken decisive action towards resolution and healing. On May 10, 2006, the Government announced the conclusion of the Indian Residential Schools Settlement Agreement, reached with legal representatives of former students of Indian Residential Schools, the Churches involved in running the schools, the Assembly of First Nations, the Métis National Council and the Inuit Tapiriit Kanatami. This historic Settlement Agreement is just and honourable, and is intended to foster reconciliation and the renewal of relationships between Aboriginal peoples, their families and communities, the Government of Canada, the Churches involved in the running of Indian Residential Schools, and all Canadians.

The Settlement Agreement proposes a series of individual and collective measures which provide tangible acknowledgement to former students of their Indian Residential School experience and give former students and their families and communities the opportunity to share their experiences with all Canadians.

I am pleased to report that on March 21, 2007, the Settlement Agreement was approved by the Courts in all nine Canadian jurisdictions. In addition, Indian Residential Schools Resolution Canada successfully completed the Advance Payment program, which was established to ensure that elderly former students received a portion of their Common Experience Payment in advance of the implementation of the Settlement Agreement. We now turn our attention to the implementation of the Indian Residential Schools Settlement Agreement and moving forward in a spirit of partnership with Aboriginal communities across the country.

This Departmental Performance Report describes the Department's performance for fiscal year 2006 – 2007 and its commitment to resolving the legacy of Indian Residential Schools.

The Honourable Chuck Strahl, P.C., M.P.

Management Representation Statement

I submit for tabling in Parliament, the 2006–2007 Departmental Performance Report for Indian Residential Schools Resolution Canada.

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2006–2007 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*:

- It adheres to the specific reporting requirements outlined in the Treasury Board Secretariat guidance;
- It is based on the department's approved Strategic Outcome(s) and Program Activity Architecture that were approved by the Treasury Board;
- It presents consistent, comprehensive, balanced and reliable information;
- It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and
- It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

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Peter Harrison
Executive Director and Deputy Head

Summary Information

Department's Reason for Existence

Indian Residential Schools Resolution Canada is dedicated to resolving claims and addressing issues arising from the legacy of Indian Residential Schools. The mandate serves the Government of Canada's larger objective of reconciliation and building a new relationship with Aboriginal peoples.

Within this mandate, the Department has undertaken to:

- Resolve claims in a timely fashion, through litigation and other methods of dispute resolution that are compassionate for claimants;
- Work with the Department of Justice which represents the Government of Canada in the litigation process, where chosen by claimants;
- Work with former Indian Residential Schools students, their families and communities in support of projects that promote healing and reconciliation;
- Work with federal government departments, provincial and territorial governments, Aboriginal peoples and organizations, Churches involved in running Indian Residential Schools, and other interested groups; and
- Promote awareness and public education of Canadians about the impacts of the Indian Residential Schools system.

Financial Resources ($ millions)

	2006–2007	
Planned Spending	**Total Authorities**	**Actual Spending**
$208.6	$243.1	$224.5

Human Resources (Full-time equivalents)

	2006–2007	
Planned	**Actual**	**Difference**
300.0 FTEs	276.0 FTEs	24.0 FTEs

Status on Performance			2006–2007	
			Planned Spending	Actual Spending
Strategic Outcome: The Department has one strategic outcome which is to advance reconciliation between former students of Indian Residential Schools and the Government of Canada.				
Priority No. 1: Supporting court approval and ensuring successful implementation of the Settlement Agreement.	The Settlement Agreement provides for: a. Independent Assessment Process which will resolve a minimum of 2,500 claims per year; b. A Common Experience Payment for every eligible former student living on May 30, 2005; c. The Truth and Reconciliation Commission which will promote public education and awareness about the Indian Residential Schools system and its legacy; d. Commemoration projects expected to enhance the well-being of former students, their families and communities.	As required by class action legislation, the Settlement Agreement was approved by the Courts in nine Canadian jurisdictions on March 21, 2007.	$126 M	$104.0 M
Priority No. 2: Resolving claims efficiently and compassionately through the National Resolution Framework.	Resolving claims through the National Resolution Framework.	Increased effectiveness in resolution of claims.	$76.1 M	$114.1 M
Priority No. 3: Maintaining effective and collaborative partnerships with Aboriginal people and their communities.	Providing funding support for public education and consultation, survivor conferences, etc.	Successfully maintained collaborative working relationships with representatives of	$6.5 M	$6.4 M

	related to the impact of Indian Residential Schools. Providing additional funding to the Aboriginal Healing Foundation for community-based healing projects for former Indian Residential Schools students.	former students and Aboriginal organizations. Successfully delivered community-based healing projects through the Aboriginal Healing Foundation.		

Operating Environment

The Department delivers its claims resolution program in an environment characterized by the need to continue the pre-court mandated Settlement Agreement process of the National Resolution Framework working closely with Aboriginal organizations; the continued need for horizontal cooperation within the federal government and with provincial governments; and sharing of responsibilities for program delivery with Service Canada and Health Canada. The Settlement Agreement is a class action settlement that binds all parties as a result of the approval by the Courts. There are Government of Canada representatives on the National Certification Committee which will oversee the administration of the class action proceedings, and the National Administration Committee which will oversee the implementation of the Settlement Agreement once it is approved. With respect to its responsibilities under the Settlement Agreement, the Government has accountabilities to the National Administration Committee and ultimately to the Courts.

Priorities

Priority 1: Supporting court approval and ensuring successful implementation of the Settlement Agreement.

The Settlement Agreement announced on May 10, 2006, between the Government of Canada and legal counsel for former Indian Residential Schools students, legal counsel for the Churches involved in the running of the schools, the Assembly of First Nations and other Aboriginal organizations is designed to achieve a fair and lasting resolution of the Indian Residential Schools legacy. As required by class action legislation, the Settlement Agreement was approved by the Courts in nine Canadian jurisdictions on March 21, 2007.

Overview of the Settlement Agreement:

- A Common Experience Payment will be paid to every eligible former student living on May 30, 2005, the day the negotiations were initiated, who resided at a recognized Indian Residential School. The Settlement Agreement stipulates that $1.9 Billion be set aside for the direct benefit of former Indian Residential Schools students. Subject to verification,

each eligible former student who applies will receive $10,000 for the first year or part of a year of residence as well as an additional $3,000 for each subsequent year of residence;

- An Independent Assessment Process will be available for a period of five years following the implementation date of the Settlement Agreement. This is an enhanced alternative dispute resolution process that will become the mechanism for former students to pursue claims of sexual and serious physical abuse and other wrongful acts which are proven to have caused serious psychological consequences, unless they have formally opted out of the Settlement Agreement;

- Expanded access to Health Canada's existing Resolution Health Support Program to ensure that former students and their family members have access to mental health and emotional support;

- A Truth and Reconciliation Commission will be established with a budget of $60 million over five years. It will be mandated to promote public education and awareness about the Indian Residential Schools system and its legacy, as well as to provide former students, their families and communities an opportunity to share their Indian Residential Schools experiences in a safe and culturally-appropriate environment. The Truth and Reconciliation Commission will undertake a series of national and community events and will establish a research centre for ongoing access to the records collected through the work of the Commission;

- New funding for Commemoration, for a total of $20 million, to be made available for events and memorials to commemorate the legacy of Indian Residential Schools, to be managed by the Government in conjunction with the Truth and Reconciliation Commission;

- An endowment of $100 million for the Aboriginal Healing Foundation to allow for continued operations and funding of healing programs for former Indian Residential Schools students and their families and a $ 25 million advance payment to the Aboriginal Healing Foundation as a bridge fund;

- Church entities involved in the administration of Indian Residential Schools will contribute up to a total of $100 million in cash and services toward healing initiatives.

The Advance Payment program was launched on May 10, 2006, for eligible former Indian Residential Schools students 65 years of age or older as of May 30, 2005, to ensure that elderly former students may receive a tangible acknowledgement of their experience as soon as possible in advance of the proposed Common Experience Payment. This highly successful initiative was completed during the fiscal year with a total of 10,326 elders receiving $ 82.6 million in advance payments to their Common Experience Payment.

Priority 2: Resolving claims efficiently and compassionately through the National Resolution Framework.

To this end, the Department strives to achieve its mandate and strategic outcome by continuing the process of the pre-court mandated Settlement Agreement process of the National Resolution Framework which includes an Alternative Dispute Resolution process, a litigation strategy, and a Mental Health Support Program.

The Alternative Dispute Resolution process, the centrepiece of the National Resolution Framework is designed to be a fair, safe and timely out-of-court option for resolving claims. The litigation process provides an option for former students who choose not to participate in Alternative Dispute Resolution. The Department will continue to resolve claims through the existing National Resolution Framework. Although Indian Residential Schools Resolution Canada has overall responsibility for the National Resolution Framework, program components of the new Resolution Health Support Program will continue to be delivered and funded by Health Canada.

Priority 3: Maintaining effective and collaborative partnerships with Aboriginal peoples and their communities.

The Department continues to work with key stakeholders. Partnerships were strengthened throughout discussions and negotiations between the federal government and representatives of former Indian Residential Schools students, the Churches involved in the running of the schools, the Assembly of First Nations and other Aboriginal organizations.

The resulting Settlement Agreement speaks to the dedication and commitment of all stakeholders involved in negotiations and leads the way to stronger partnerships with Aboriginal peoples. The Department will continue to work with Aboriginal partners towards a successful implementation of the Settlement Agreement.

SECTION II: ANALYSIS OF PROGRAM ACTIVITIES BY STRATEGIC OUTCOME

Analysis by Program Activity

Strategic Outcome

The Department has one strategic outcome which is to advance reconciliation among former students of Indian Residential Schools and the Government of Canada.

Program Activity: Claims Resolution

The Department has one program activity which is the resolution of claims associated with the operation of the former Indian Residential Schools system. The Department has focused all its efforts on this program activity via the operation of the National Resolution Framework and the Settlement Agreement.

Financial Resources

Planned Spending	Authorities	Actual Spending
$208.6	$243.1	$224.5

Human Resources

Planned	Actual	Difference
300.0 FTEs	276.0 FTEs	24.0 FTEs

Operation of the National Resolution Framework

The National Resolution Framework has been the central vehicle to achieve the Department's program activity and planned results of resolution of Indian Residential Schools claims since 2003. The National Resolution Framework was the pre-settlement process that continues to offer resolutions in two streams – Alternative Dispute Resolution and Litigation (with the option to settle out of court or to proceed to trial), and includes a Resolution Health Support Program.

Alternative Dispute Resolution

The Alternative Dispute Resolution process is a voluntary and confidential process designed to be a timely, fair and safe way for claimants to resolve validated physical and sexual abuse claims, including wrongful confinement claims, outside of the litigation process. Applications for claimants who are 60 years and older and/or are in failing health have been given priority. Alternative Dispute Resolution involves an application process and private hearings before an independent adjudicator. The Adjudicator as an independent decision-maker is responsible for setting compensation awards within an established compensation framework. The claimant has the option to accept the award, appeal the decision or pursue litigation.

The Department continued to accept Alternative Dispute Resolution applications until the court Approval Date, which was March 21, 2007, after which point applications were no longer accepted into the existing process. It is expected that some claimants will move their claims to

the new Independent Assessment Process. The Department settled 1,163 Alternative Dispute Resolution claims during 2006-2007.

Litigation

Not all claimants choose to resolve their abuse claims through the Alternative Dispute Resolution process. Former students or family members can remove themselves from the Settlement Agreement by opting out. In doing so they will not be bound by the Settlement or receive any benefits therein. The Department of Justice represents the Government of Canada in Indian Residential Schools claims and continues to work to resolve claims prior to entering the trial stage. Counsel for claimants in litigation who are elderly or ill may approach the Department of Justice to seek expedition in the resolution of their claims out of court. Resolution of litigation claims is a more time consuming process since the Government has little control over the pace of litigation and is largely dependent on the rules of the court and court schedules. The Department settled 491 litigation claims for 2006-2007.

Resolution Health Support Program

The Resolution Health Support Program delivered by Health Canada provides a variety of flexible "frontline" safety supports and coordination services directly to former students involved in the Alternative Dispute Resolution process and the litigation process. Services include access to mental health counselling sessions, on-site emotional health supports by trained Aboriginal health providers, and, transportation costs to traditional healers, to ensure that former students and family members have access to appropriate levels of counselling and mental health supports. Indian Residential Schools Resolution Canada funds a 24-hour crisis support line that is operated by trained Aboriginal crisis support workers.

Although Indian Residential Schools Resolution Canada has overall responsibility for the National Resolution Framework, the Resolution Health Support Program component is delivered and funded by Health Canada.

Implementation of the Settlement Agreement

The Settlement Agreement is a class action settlement that binds all parties with the approval by the Courts. Now approved, there will be no possibilities for derogation and the Courts will have the authority to make the Government of Canada accountable for breaches of the Settlement Agreement within its responsibility. Indian Residential Schools Resolution Canada is the lead Department for the administration of programmatic elements within the Settlement Agreement and will share program delivery responsibilities with Health Canada and Service Canada.

Indian Residential Schools Resolution Canada will be responsible for the administration of the Independent Assessment Process; the start up of the Truth and Reconciliation Commission; the administration of the Commemoration Program; and the transfer of a $100 million endowment for a five year period to the Aboriginal Healing Foundation in accordance with the Funding Agreement included in the Settlement Agreement which will be added to the $25 million advance payment to the Aboriginal Healing Foundation as a bridge fund. Health Canada will be responsible for delivery of the Resolution Health Support Program and Service Canada in conjunction with Indian Residential Schools Resolution Canada for the delivery of the Common

Experience Payment. In addition, Indian Residential Schools Canada will participate in the work of the Church entities which are responsible for programs and services directed to healing and reconciliation for former Indian Residential Schools students and their families.

The Department is preparing for the transition from the operation of the existing National Resolution Framework to the Settlement Agreement. The Settlement Agreement was approved by the Courts on March 21, 2007. An Opt-Out Period began on March 22, 2007 to last 150 days until August 20, 2007. During this time period, former students were given the opportunity to either remain in the settlement or remove themselves (opt-out) from it.

The Department began the Advance Payment program in May 2006 for eligible former Indian Residential Schools students 65 years of age or older as of May 30, 2005 to ensure that elderly former students received a tangible acknowledgement of their experience in advance of the proposed Common Experience Payment. Applications for Advance Payments were accepted until December 31, 2006. The Advance Payment Program was completed within the allocated timeframe as planned and a total of 10,326 former students received $82,608,000 in payment through this Program.

SECTION III: SUPPLEMENTARY INFORMATION

Organizational Information

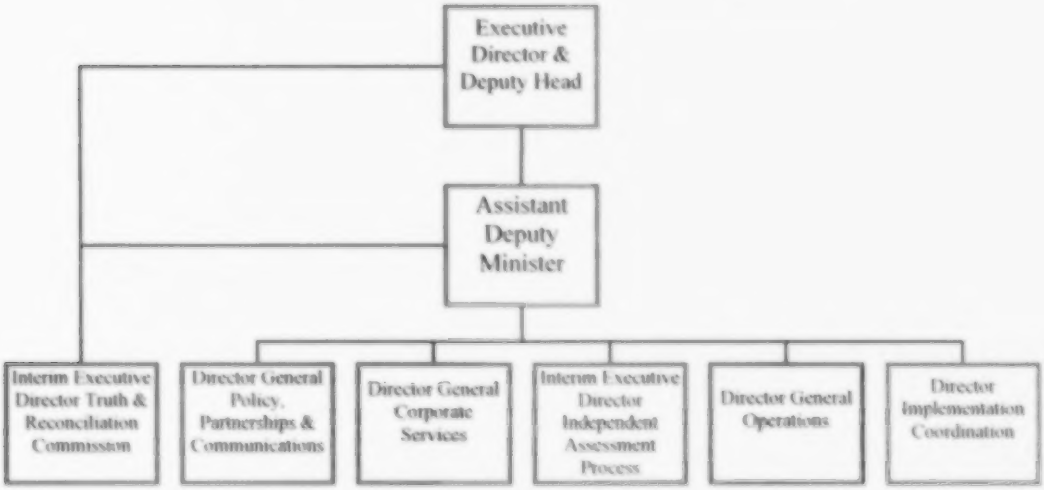
The Honourable Chuck Strahl, Minister of Indian Affairs and Northern Development and Federal Interlocutor for Métis and Non-Status Indians is the Minister responsible for Indian Residential Schools Resolution Canada.

As illustrated in the organizational chart below, the Minister is supported by the Department's Executive Director and Deputy Head. The Executive Director and Deputy Head are accountable for the overall management of the Department, strategic policy direction, and the provision of executive support to the Minister.

The Departments organizational structure changed over the year to better meet the mandate to resolve claims and address issues arising from the legacy of Indian residential schools as well as the larger objective of reconciliation and building a new relationship with Aboriginal peoples.

Below is the structure as of March 31, 2007.

Indian Residential Schools Resolution Canada


Executive Director & Deputy Head
Assistant Deputy Minister
Interim Executive Director Truth & Reconciliation Commission
Director General Policy, Partnerships & Communications
Director General Corporate Services
Interim Executive Director Independent Assessment Process
Director General Operations
Director Implementation Coordination

The Executive Director and Deputy Head is directly supported by the Assistant Deputy Minister. He is responsible for ensuring the successful implementation of the Indian Residential Schools Settlement Agreement and the continued resolution of claims under the National Resolution Framework.

The Assistant Deputy Minister (ADM) is accountable for providing the executive leadership for the management and operations of the Office of the Indian Residential Schools Resolution

Canada, including the development and implementation of key departmental priorities, issues and policies to enhance the Department's capacity to promote and advance its transformation to implement the Indian Residential Schools Settlement Agreement.

The Director General, Corporate Services, is accountable for managing and providing corporate leadership in the development of programs, plans and strategies to integrate and ensure the integrity of corporate priorities in human resources, finance, administration, materiel management, procurement, Information Technology, Access to Information and Privacy Program, internal audit and evaluation, records management, and performance management.

The Director General, Operations, is accountable for the management of operations relating to the Alternative Dispute Resolution process and ensuring that claims are administered and resolved in accordance with established program authorities; processes and the approved compensation framework; as well as the transition from the Alternative Dispute Resolution process to the Independent Assessment Process under the Settlement Agreement. The Director General is also accountable for: the management of litigation; the health-related components of the National Resolution Framework; and the management and delivery of an extensive research program which supports litigation, the Alternative Dispute Resolution process and preparations for the Common Experience Payment.

The Director General, Policy, Partnerships & Communications, is accountable for developing and monitoring the implementation of the Department's strategic policy framework; and providing policy advice and support to the Executive Director and Deputy Head and the Department on issues related to claims resolution as well as broader healing and reconciliation; This Director General is also responsible for the overall communications of the Department which includes: internal and external communications, media relations, strategic communications planning, and Parliamentary Affairs including liaison with Parliamentarians and the Minister's Office; Outreach to Aboriginal communities, Indian Residential Schools survivor societies, and the general public; liaison with national and regional Aboriginal organizations; and the strategic management and administrative delivery of the Commemoration Program, and Policy and Consultation Program. This Directorate also oversees the Partnership Agreement Program.

The Interim Executive Director of the Independent Assessment Process (IAP) is accountable for the implementation of the IAP Secretariat, ensuring that it operates in a manner that meets the objectives and enforceable requirements of the Settlement Agreement with respect to IAP. The IAP-Secretariat must also be operated and managed in way that supports requirements for independence and scrutiny by the Independent Monitor appointed by the courts for overseeing the implementation of IAP. The IAP Secretariat is required to resolve a minimum of 2,500 claims per year and meet the 9 month standard for scheduling hearings. Moreover, the position requires that effective measures are in place within the IAP-Secretariat to receive the automatic and elective transfer of thousands of claims from the current DR model.

The Interim Executive Director for the Truth and Reconciliation Commission (TRC) is responsible for establishing the basic structures of the TRC and for ensuring that preparations have been completed to enable Commissioners to begin addressing their mandate. The Interim Executive Director is also responsible for providing professional leadership and rigorous

attention to detail in identifying the requirements associated with setting up the Commission and in developing and implementing accountability systems and other Treasury Board requirements while respecting the TRC mandate.

The Director of Implementation Coordination is accountable for coordinating Departmental initiatives to ensure that Indian Residential Schools Resolution Canada can meet the requirements of the Settlement Agreement.

Table 1: Comparison of Planned to Actual Spending (including Full-time Equivalents)

($ millions)	2004–05 Actual	2005–06 Actual	2006–07			
			Main Estimates	Planned Spending	Total Authorities	Total Actuals
Claims Resolution	$66.6	$159.2	$208.6	$208.6	$243.1	$224.5
Total	**$66.6**	**$159.2**	**$208.6**	**$208.6**	**$243.1**	**$224.5**
Less: Non-respendable revenue	$0	$0	N/A	$0	N/A	$0
Plus: Cost of services received without charge	$3.1*	$5.3	N/A	$8.2	N/A	$6.5
Total Departmental Spending	**$69.7**	**$164.5**	**N/A**	**$216.8**	**N/A**	**$231.0**
Full-time Equivalents	166	208	N/A	300	N/A	276

*Note: In the 2004 – 2005 Departmental Performance Report the cost of services received without charge were indicated as $8.4M. These were based on the estimates available at that time. The actual costs of services received without charge was $3.1M.

Table 2: Resources by Program Activity

($ millions)

2006–07									
	Budgetary							Plus: Non-budgetary	
Program Activity	**Operating**	**Capital**	**Grants**	**Contributions and Other Transfer Payments**	**Total: Gross Budgetary Expenditures**	**Less: Respendable Revenue**	**Total: Net Budgetary Expenditures**	**Loans, Investments, and Advances**	**Total**
Claims Resolution									
Main Estimates	$202.6	-	-	$6.0	$208.6	-	$208.6	-	$208.6
Planned Spending	$202.6	-	-	$6.0	$208.6	-	$208.6	-	$208.6
Total Authorities	$237.1	-	-	$6.0	$243.1	-	$243.1	-	$243.1
Actual Spending	$218.7	-	-	$5.8	$224.5	-	$224.5	-	$224.5

Table 3: Voted and Statutory Items

($ millions)

Vote or Statutory Item	Truncated Vote or Statutory Wording	2006–07			
		Main Estimates	Planned Spending	Total Authorities	Total Actuals
52	Operating expenditures	$196.2	$196.2	$234.3	$215.9
54	Contributions	$6.0	$6.0	$6.0	$5.8
(S)	Contributions to employee benefit plans	$6.4	$6.4	$2.7	$2.7
	Total	**$208.6**	**$208.6**	**$243.1**	**$224.5**

Table 4: Services Received Without Charge

($ millions)	2006–07 Actual Spending
Accommodation provided by Public Works and Government Services Canada	$3.0
Contributions covering the employer's share of employees' insurance premiums and expenditures paid by the Treasury Board of Canada Secretariat (excluding revolving funds); employer's contribution to employees' insured benefits plans and associated expenditures paid by the Treasury Board of Canada Secretariat	$1.4
Salary and associated expenditures of legal services provided by the Department of Justice Canada	$2.1
Total 2006–07 Services received without charge	**$6.5**

Table 8: Resource Requirements by Branch or Sector

2006–07	
Department	**Program Activity** **Claims Resolution (millions)**
Office of the Deputy Minister	
Planned Spending	$2.0
Actual Spending	$1.0
Operations	
Planned Spending	$158.7
Actual Spending	$202.0
Corporate Services	
Planned Spending	$30.0
Actual Spending	$11.2
Policy, Partnership & Communication	
Planned Spending	$11.0
Actual Spending	$7.4
Implementation Coordination	
Planned Spending	$0.5
Actual Spending	$0.3

Note: Resources for Employee Benefits in an amount of Planned amount of $6.4 and an actual of $2.7 have not been apportioned to the Branches.

Table 11: Details on Project Spending

Supplementary information on Project Spending can be found at **http://www.tbs-sct.gc.ca/rma/dpr3/06-07/index_e.asp**.

Table 13: Details on Transfer Payment Programs (TPPs)

Supplementary information on Transfer Payment Programs (TPPs) can be found at **http://www.tbs-sct.gc.ca/rma/dpr3/06-07/index_e.asp**.

Table 15: Financial Statements of Departments and Agencies (including Agents of Parliament)

Indian Residential Schools Resolution Canada

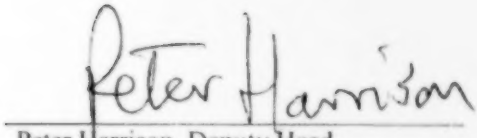
Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2007 and all information contained in these statements rests with departmental management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

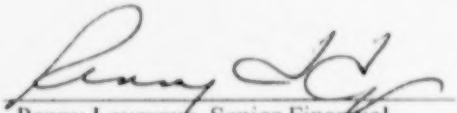
Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the department's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the department's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the department.

The financial statements of the department have not been audited.



Peter Harrison, Deputy Head
(Ottawa, Canada)
(August 17, 2007)



Penny Levesque, Senior Financial Officer

Statement of Operations (*Unaudited*)
For the Year Ended March 31
(in thousands of dollars)

	2007	2006 (restated - Note 8)
Transfer payments to Aboriginal groups	11,816	532,099
Operating expenses		
Professional and special services	52,120	62,065
Salaries and employee benefits	22,025	18,754
Other operating	3,908	3,746
Travel	3,502	3,237
Accommodation	3,027	2,261
Communications professional Services	2,811	1,170
Amortization	522	534
Total operating expenses	87,915	91,767
Total Expenses	**99,731**	**623,866**
Revenues		
Miscellaneous revenues	5	1
Total Revenues	**5**	**1**
Net Cost of Operations	**99,726**	**623,865**

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position (*Unaudited*)
At March 31

(*in thousands of dollars*)	2007	2006 (restated - Note 8)
ASSETS		
Financial assets		
Accounts receivable (Note 7)	7,842	4,615
Advances	16	4
Total financial assets	7,858	4,619
Non-financial assets		
Prepaid expenses	6	5
Tangible capital assets (Note 4)	1,838	1,977
Total non-financial assets	1,844	1,982
TOTAL	**9,702**	**6,601**
Liabilities		
Accounts payable and accrued liabilities	25,055	23,539
Vacation pay and compensatory leave	478	-
Allowance for claims and litigation (Note 5)	2,802,395	2,951,178
Employee severance benefits (Note 6)	3,627	2,898
	2,831,555	2,977,615
Equity of Canada	(2,821,853)	(2,971,014)
TOTAL	**9,702**	**6,601**

The accompanying notes form an integral part of these financial statements.

Statement of Equity of Canada (*Unaudited*)
For the Year Ended March 31
(in thousands of dollars)

	2007	2006 (restated - Note 8)
Equity of Canada, beginning of the year	(2,971,014)	(2,517,880)
Less adjustment for severance benefits (Note 8)	-	(1,849)
Adjusted Equity of Canada, beginning of the year	(2,971,014)	(2,519,729)
Net cost of operations	(99,726)	(623,865)
Current year appropriations used (Note 3)	224,524	159,186
Refund of previous year's expenditures	120	448
Change in the net position in the Consolidated Revenue Fund (Note 3)	17,774	7,630
Services received without charge from other departments (Note 7)	6,469	5,316
Equity of Canada, end of the year	**(2,821,853)**	**(2,971,014)**

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flow (*Unaudited*)
For the Year Ended March 31
(*in thousands of dollars*)

	2007	2006 (restated - Note 8)
Operating activities		
Cash paid for:		
Transfer payments to Aboriginal groups	(160,599)	(93,921)
Salaries and Employee benefits	(19,921)	(16,569)
Professional and special services	(33,277)	(39,336)
Travel	(3,502)	(3,237)
Communications professional Services	(2,811)	(1,170)
Other operating	(4,027)	(4,196)
Other Adjustments	(17,894)	(8,080)
Advances and prepaid expenses	(9)	(7)
Cash received from:		
Miscellaneous revenues	5	1
Cash used by operating activities	(242,035)	(166,515)
Capital investment activities		
Acquisitions of tangible capital assets	(383)	(749)
Cash used by capital investment activities	(383)	(749)
Financing activities		
Net cash provided by Government of Canada	242,418	167,264
Net Cash used	-	-

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements (unaudited)

1. Authority and Objectives

Indian Residential Schools Resolution Canada (IRSRC) was established by Order-in-Council (P.C. 2001-994) on June 4, 2001 and is a department listed in Schedule IV of the Financial Administration Act.

IRSRC is dedicated to resolving the legacy for the estimated 80,000 individuals who attended Indian residential schools and meeting the needs of the more than 13,000 former students seeking compensation for abuses they suffered at these schools.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

(a) Parliamentary appropriations – IRSRC is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to IRSRC do not parallel financial reporting according to generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

(b) Net Cash Provided by Government – IRSRC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by IRSRC is deposited to the CRF and all cash disbursements made by the department are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

(c) Change in net position in the Consolidated Revenue Fund is the difference between the net cash provided by Government and appropriations used in a year, excluding the amount of non respendable revenue recorded by IRSRC. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

Notes to the Financial Statements (unaudited)

(d) Revenues:

- Other revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

(e) Expenses – Expenses are recorded on the accrual basis:

- Grants are recognized in the year in which the conditions for payment are met. In the case of grants which do not form part of an existing program, the expense is recognized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements;
- Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement;
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans and legal services are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

i. Pension benefits: Eligible employees participate in the Public Service Pension Plan (Public Service Superannuation), a multiemployer program administered by the Government of Canada. The department's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require the department to make contributions for any actuarial deficiencies of the Plan.

ii. Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts receivables are stated at amounts expected to be ultimately realized.

(h) Contingent liabilities – Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(i) Tangible capital assets – All tangible capital assets and leasehold improvements having an initial cost of $10,000 or more are recorded at their acquisition cost. The department does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Asset Class	**Amortization period**
Machinery & equipment	5 to 15 years
Informatics hardware	3 to 5 years
Informatics software	3 to 5 years

(j) Measurement uncertainty – The preparation of these financial statements in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

Notes to the Financial Statements (unaudited)

3. Parliamentary Appropriations

IRSRC receives most of its funding through annual Parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, IRSRC has different net costs of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year appropriations used:	**2007**	**2006 (restated - Note 8)**
	(in thousands of dollars)	
Net cost of operations	99,726	623,865
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Change in allowance for claims and litigation	148,783	(438,178)
Legal services from Justice Canada not charged to appropriations	(16,776)	(20,810)
Services provided without charge	(6,469)	(5,316)
Amortization of tangible capital assets	(522)	(534)
Refund of previous year's expenditures	120	448
Employee severance benefits	(729)	(1,049)
Other adjustment	(14)	3
	224,119	158,429
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Add (Less):		
Capital Acquisitions of tangible assets	383	749
Prepaid expenses and advances	22	8
Current year appropriations used	**224,524**	**159,186**

Notes to the Financial Statements (unaudited)

(b) Appropriations provided and used

	2007	2006
	(in thousands of dollars)	
Vote 52 - Operating Expenditures	234,333	-
Vote 54 - Contributions	6,000	-
Vote 55 - Program Expenditures and contributions	-	145,610
Statutory amounts	2,737	42,717
Less:		
Lapse available for future years	(18,546)	(29,141)
Current year appropriations used	**224,524**	**159,186**

(c) Reconciliation of net cash provided by Government to current year appropriations used:

	2007	2006
	(in thousands of dollars)	
Net cash provided by Government	242,418	167,264
Refund of previous year's expenditures	(120)	(448)
Change in the net position in the Consolidated Revenue Fund (1)	(17,774)	(7,630)
	224,524	159,186
Current year appropriations used	**224,524**	**159,186**

(1) Change in the net position in the Consolidated Revenue Fund reflects the cumulative difference between the changes in assets and liabilities which do not have an impact on either net cash provided by Government or Appropriations Used. Other elements to include are accounts receivable from external parties and accounts receivable for non respendable revenue.

Notes to the Financial Statements (unaudited)

4. Tangible Capital Assets

Tangible Capital Assets

(in thousands of dollars)

	Cost				Accumulated amortization					
Capital asset class	**Opening balance**	**Acquisitions**	**Disposals & write-offs**	**Closing balance**	**Opening balance**	**Amortization**	**Disposals & write-offs**	**Closing balance**	**2007 Net book value**	**2006 Net book value**
Machinery and equipment	31	-	-	31	-	-	-	-	31	31
Informatics hardware	773	342	-	1,115	250	230	-	480	635	523
Informatics software	1,766	41	-	1,807	343	292	-	635	1,172	1,423
	2,570	383	-	2,953	593	522	-	1,115	1,838	1,977

Amortization expense for the year ended March 31, 2007 is $522,000 (2006 - $534,000).

5. Contingent Liabilities

(a) Claims and litigation

IRSRC was established to resolve claims and to address issues arising from the legacy of Indian residential schools. There are 13,488 claims being managed by the department in this regard, including class action claims. In May 2006, the department reached an independent settlement agreement to resolve these claims. The settlement agreement will be implemented in September 2007 by the Courts. IRSRC has recorded a liability of $2.802 million in 2007 ($2.951 million in 2006) to reflect the estimated costs to settle claims.

Notes to the Financial Statements (unaudited)

6. Employee Benefits

(a) Pension benefits: IRSRC employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the department contribute to the cost of the Plan. The 2006-07 expense amounts to $2,017,300 ($1,749,601 in 2005-06) which represents approximately 2.2 times (2.6 in 2005-06) the contributions by employees.

IRSRC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits: The department provides severance benefits to its employees based on eligibility, year of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	2007	2006 (restated - Note 8)
	(in thousands of dollars)	
Accrued benefit obligation, beginning of year	2,898	1,849
Expense for the year	924	1,049
Benefits paid during the year	(195)	-
Accrued benefit obligation, end of year	3,627	2,898

Notes to the Financial Statements (unaudited)

7. Related party transactions

IRSRC is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The department enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the department received services which were obtained without charge from other Government departments as presented in part (a).

(a) Services provided without charge:

During the year the department received without charge from other departments, accommodation, legal fees and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in the department's Statement of Operations as follows:

	2007	2006
	(in thousands of dollars)	
Accommodation	3,027	2,261
Employer's contribution to the health and dental insurance plan	1,375	1,136
Legal Services	2,067	1,919
Total	6,469	5,316

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The cost of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General, are not included as an expense in the Department's Statement of Operations.

(b) Payables and receivables outstanding at year-end with related parties:

	2007	2006
	(in thousands of dollars)	
Accounts Receivable with other government and agencies (1)	3,969	3,695
Accounts payable to other government and agencies	3,978	3,186

(1) A receivable of $3,668,823 in 2006-07 ($3,600,000 in 2005-06) is a credit adjustment made by Treasury Board Secretariat to the amount contributed by IRSRC to the Employee Benefit Plan.

8. Adjustments to Prior Year's Results

Severance benefits were not reported on the 2005-06 Financial Statements. Consequently, comparative figures presented for the year ended March 31, 2006 have been restated. The effect of this adjustment is presented in the table below.

2005-2006	As previously stated	Effect of the adjustment	Revised amounts
	(in thousands of dollars)		
Statement of Operations			
Salaries and employee benefits	17,705	1,049	18,754
Net cost of operations	622,816	1,049	623,865
Statement of Financial Position			
Employee severance benefits	-	2,898	2,898
Equity of Canada	(2,968,116)	(2,898)	(2,971,014)
Statement of Equity of Canada			
Equity of Canada, beginning of the year	(2,517,880)	(1,849)	(2,519,729)
Net cost of operations	(622,816)	(1,049)	(623,865)
Equity of Canada, end of the year	(2,968,116)	(2,898)	(2,971,014)
Statement of Cash Flow			
N/A			

9. Comparative information

Comparative figures have been reclassified to confirm to the current year's presentation.

Table 18: Procurement and Contracting

Supplementary information on Procurement and Contracting can be found at **http://www.tbs-sct.gc.ca/rma/dpr3/06-07/index_e.asp**.

Table 20: Horizontal Initiatives

Supplementary information on Horizontal Initiatives can be found at **http://www.tbs-sct.gc.ca/rma/dpr3/06-07/index_e.asp**.

Table 21: Travel Policies

Supplementary information on Travel Policies can be found at **http://www.tbs-sct.gc.ca/rma/dpr3/06-07/index_e.asp**.